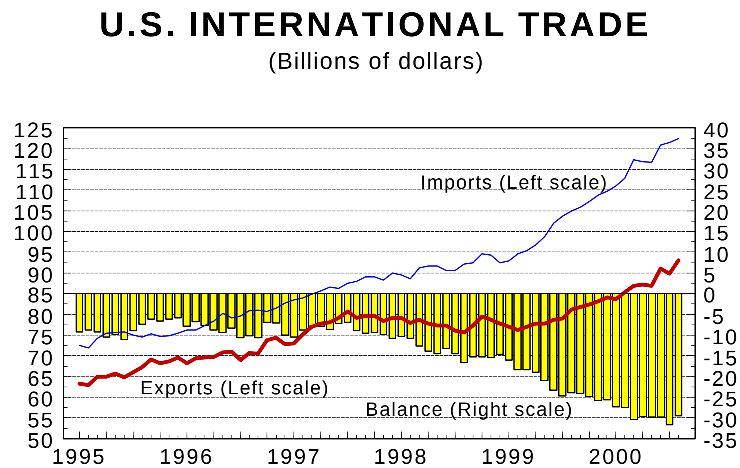
U.S. TRADE IN PERSPECTIVE
U.S. Department of Commerce, International Trade Administration, Trade Development October 2000

U.S. Trade Deficit Shrank in August; Exports and Imports Set Records

Recent Developments: *In August, U.S. exports of goods and services rose $3.2 billion to a record $93.0 billion, while imports gained $1.0 billion to a record $122.5 billion. The U.S. trade deficit was $29.4 billion, $2.3 billion less than July's revised data, and the lowest level in six months.*

Trade Performance: Through August 2000, exports were up 12.7 percent, while imports were up 19.0 percent, from a year ago. The goods and services deficit was $353 billion (annual rate), compared with a deficit of $247 billion (annual rate) in the same period in 1999.



In August, U.S. imports of goods increased $0.8 billion to a record $104.4 billion. This gain was largely due to increased imports of capital goods. The average price of crude oil fell to $26.59 per barrel in August and the value of oil imports slipped $0.3 billion from the month before. Nevertheless, the higher petroleum deficit, due to higher oil prices, has accounted for nearly one-half of the deterioration in the overall trade balance this year. Merchandise exports increased $2.9 billion to a record $68.0 billion, with significant gains in capital goods, industrial supplies and motor vehicles.

The U.S. trading imbalance has been primarily the result of a very strong U.S. economy, vis-a-vis many of its trading partners. Excluding petroleum, the August trade data shows U.S. exports are growing faster than imports. The improvement in this trade data, perhaps, indicates that U. S. economic growth is moderating to a more sustainable pace, while foreign economies are gaining strength.

Several new trade records were set in August:
The trade deficit with China ($8.6 billion).
Monthly imports from Mexico ($12.3 billion), NICs ($10.1 billion), China ($10.0 billion), OPEC ($6.2 billion), and Korea ($3.6 billion).
Monthly exports to Mexico ($10.4 billion).
Monthly exports of industrial supplies, capital goods and automotive vehicles, and imports of food and beverages, capital and consumer goods.

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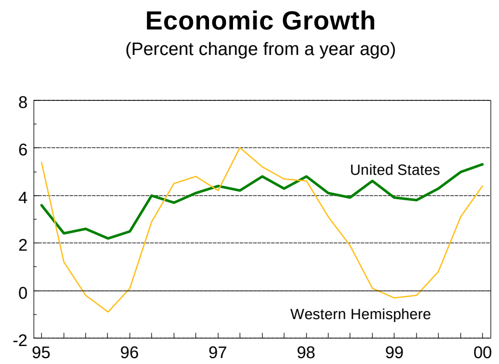
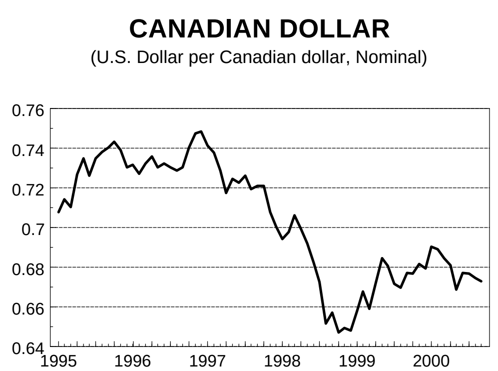
Western Hemisphere: The Currency, Trade and the Economy

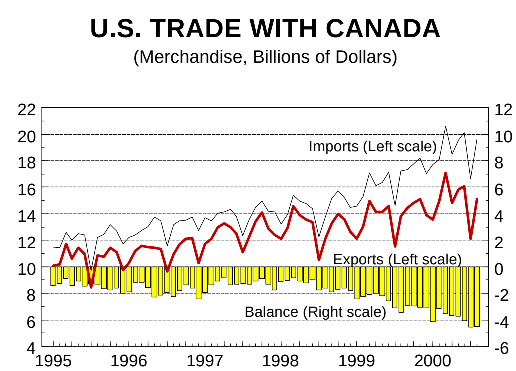
After sliding into recession in the first half of 1999, economic conditions have improved in the Western Hemisphere. In 1999, economic growth was 0.9 percent in the Western Hemisphere, while the United States grew at a robust 4.2 percent. However, the disparity in the rates of economic growth between the Western Hemisphere and the United States narrowed in early 2000.



Higher U.S. exports to the rest of the Western Hemisphere in the first eight months of 2000 reflect improved economic conditions in the region. Through August 2000, U.S. exports to the Western Hemisphere totaled $230.5 billion, up 16.2 percent from a year ago, while imports were $287.9 billion, up 22.1 percent. Year-to-date, the U.S. trade deficit with the Western Hemisphere was $86.1 billion (annual rate), compared to $56.0 billion in the same period last year.

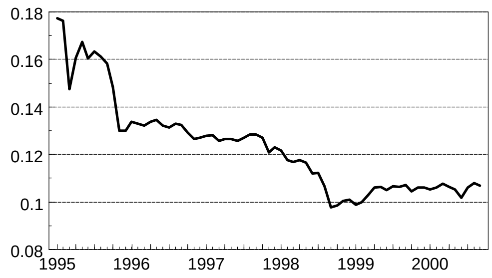
The Bank of Canada expects the growth rate for the **Canadian** economy to be in the 4¼-4¾ percent range this year. This robust economic growth is due to strong exports, higher consumer expenditures and increased capital spending. To contain inflation, the Bank of Canada has raised interest rates several times since last November. The Canadian dollar has risen 5 percent against the U.S. dollar (in nominal values) from its lows in late 1998. Exports account for nearly 40 percent of Canada's GDP, of which about 90 percent are U.S.-bound. Canada's trade surplus with the world, including the United States, is growing. The stock market remains bullish, and is up 18 percent since December 1999.



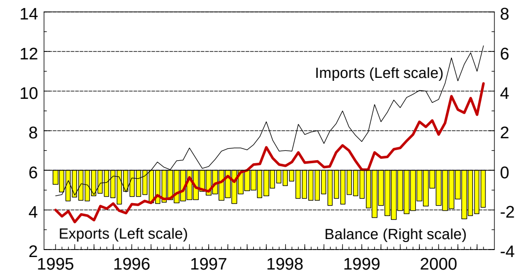


The **Mexican** economy grew at an annual rate of 7.8 percent in the first half of 2000, well above growth rates in recent years. Economic growth in Mexico has been driven by strong domestic

MEXICAN PESO
(U.S. Dollar per Peso, Nominal)



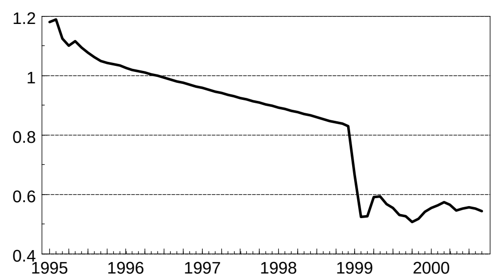
U.S. TRADE WITH MEXICO
(Merchandise, Billions of Dollars)



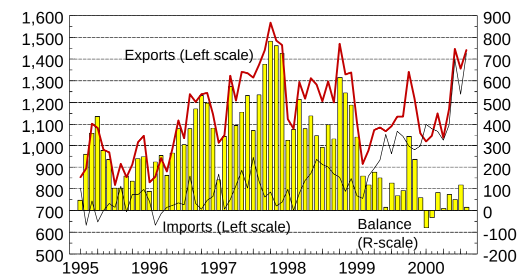
and foreign demand. The peso has regained about 9 percent against the U.S. dollar (in nominal values) since early 1999. Nearly one-third of the Mexican economy is dependent upon exports, and 88 percent of its goods are sold in the United States. Mexico's trade deficit with the world remains small, but Mexico enjoys a large trade surplus with the United States. The government's budget was in surplus in the first half of 2000, largely due to higher oil revenues. The stock market is down 19 percent, from its peak in December 1999.

Real GDP in **Brazil** is expected to grow 4.0 percent in 2000, after growth of 0.5 percent last year. The *real* (Brazil's currency) appears to have bottomed out as a result of improved economic fundamentals. Growth has largely been fueled by strong business investment, robust exports,

BRAZILIAN REAL
(U.S. Dollar per real, Nominal)



U.S. TRADE WITH BRAZIL
(Merchandise, Millions of Dollars)



and a record inflow of foreign investment. Brazil's trade with the world is in balance, and its deficit with the United States is shrinking.

Economic growth in **Argentina** is expected to be about 1.5 percent in 2000, as compared with a decline of 3.1 percent last year. The economy has been affected by falling prices of wheat and soybeans, which account for nearly one-half of its exports. Argentina sells nearly one-quarter of its exports to Brazil, and those exports are being hurt by the weakness in the value of the *real.* To jump-start the economy, the government has announced cuts in corporate taxes.

U. S. TRADE WITH ARGENTINA
(Merchandise, Millions of Dollars)